

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 SP-02 USIA-06 AID-05  
EB-08 NSC-05 TRSE-00 SS-15 STR-06 OMB-01 CEA-01  
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 L-03 AGRE-00 PRS-01 PA-01  
INT-05 OES-07 DOE-11 SOE-02 /135 W  
-----071778 280546Z /20

R 271953Z JAN 78  
FM AMEMBASSY BRUSSELS  
TO SECSTATE WASHDC 4537  
INFO ALL EC CAPITALS  
USMISSION GENEVA  
AMEMBASSY OTTAWA  
AMEMBASSY TAIPEI  
AMEMBASSY SEOUL  
AMEMBASSY TOKYO

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USEEC

E.O.11652:N/A  
TAGS: ETRD, EEC  
SUBJECT: EC-CANADA: HIGH LEVEL CONSULTATIONS

1. SUMMARY: EC COMMISSION AND CANADIAN OFFICIALS HAD  
NUMBER OF MEETINGS DURING WEEK OF JANUARY 16 IN BRUSSELS  
ON MULTILATERAL AND BILATERAL ECONOMIC QUESTIONS. SIGNA-  
TURE OF A NUCLEAR SAFEGUARDS AGREEMENT REPORTED SEPTEL  
(BRUSSELS 963). HIGHLIGHTS OF OTHER SUBJECTS DISCUSSED,  
ACCORDING TO CANADIAN MISSION AND EC COMMISSION OFFICIALS,  
FOLLOW. CANADIAN DELEGATION LED BY ASSISTANT UNDER  
SECRETARY FOR EXTERNAL AFFAIRS MCPHAIL AND ASSISTANT  
DEPUTY MINISTER FOR INDUSTRY, TRADE, AND COMMERCE GUERIN.  
EC SIDE LED BY DEPUTY DIRECTOR GENERAL FOR EXTERNAL  
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RELATIONS LOEFF AND DEPUTY DIRECTOR GENERAL FOR INDUSTRY  
CECCHINI. END SUMMARY

2. MEETINGS CONSISTED OF SEVERAL SUB-COMMITTEE SESSIONS  
ON SPECIFIC INDUSTRIAL PROBLEMS DESIGNED TO PREPARE FOR  
SECOND SESSION OF JOINT COOPERATION COMMITTEE ESTABLISHED  
UNDER EC-CANADA FRAMEWORK AGREEMENT, SCHEDULED FOR MARCH

IN OTTAWA; FORMAL GATT ARTICLE XIX CONSULTATIONS ON CANADIAN RESTRAINT MEASURES ON FOOTWEAR AND THE 10TH ROUND OF SEMI-ANNUAL EC-CANADA HIGH LEVEL CONSULTATIONS. (ONE COMMISSION OFFICIAL COMMENTED THAT ORGANIZATIONAL FRAMEWORK OF EC-CANADA CONSULTATIONS WAS TENDING TO GET OUT OF HAND AND EVENTUALLY WOULD NEED TO BE SIMPLIFIED.) SUBJECTS DISCUSSED FOLLOW:

3. THE MTN - COMMISSION AND CANADIAN OFFICIALS SAY THAT DISCUSSION WAS RELATIVELY BRIEF. CANADIANS DISTRIBUTED THEIR OFFERS IN ADVANCE OF GENEVA TABLING BUT DID NOT SEEK DISCUSSION OF SECTORS. THERE WAS SOME DISCUSSION OF THE NEED TO OBTAIN CONCESSIONS FROM EAST EUROPEAN COUNTRIES IN THE MTN BUT NEITHER SIDE MADE CONCRETE SUGGESTIONS. BOTH SIDES AGREED TO HAVE AN EARLY MEETING IN GENEVA TO SEEK TO DEVELOP SPECIFIC PROPOSALS ON TREATMENT OF EAST EUROPEANS.

4. ARTICLE XIX CONSULTATION ON FOOTWEAR - COMMISSION COMPLAINED THAT CANADIAN ACTION IN RESTRICTING IMPORTS THROUGH A GLOBAL QUOTA WILL HURT EC EXPORTERS. BOTH SIDES INDICATED TO MISSION THAT CANADIAN ACTION WAS MEANT TO AFFECT SHOES IN MID AND UPPER PRICE RANGES, WHICH ARE POSING GREATEST THREAT TO PRODUCERS, AND NOT LOWEST PRICED SHOES. CANADIANS APPARENTLY SUCCESSFULLY DEMONSTRATED THAT EC SHARE OF MARKET HAS NOT BEEN LIMITED OFFICIAL USE

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DECLINING AS EC HAD CONTENTED; CANADIANS ALSO ARGUED THAT EC SHOULD NOT MOVE TO RETALIATE UNTIL CANADIAN SYSTEM'S EFFECT ON IMPORTS HAD HAD A CHANCE TO EMERGE. DISCUSSION ENDED WITH CONSULTATIONS BEING LEFT OPEN. COMMISSION CONCERN IS THAT CANADIAN ACTION WILL CONTRIBUTE TO PRESSURE, WHICH ALREADY IS HIGH IN EUROPE, TO RESTRICT FOOTWEAR IMPORTS. MOST LIKELY STEPS WHICH MEMBER STATES AND INDUSTRY WOULD SEEK TO IMPOSE ON COMMISSION WOULD BE RESTRAINT AGREEMENT WITH SOUTH KOREA AND AUTONOMOUS MEASURES AGAINST TAIWAN.

5. THE GENERAL ECONOMIC SITUATION - CANADIANS ARGUED THAT WEST EUROPEAN COUNTRIES SHOULD ACT TO RE-FLATE THEIR ECONOMIES. COMMISSION REPORTEDLY AGREED AND SAID IT PLANS TO PUSH THE FRG IN PARTICULAR IN THIS DIRECTION.

6. STEEL - CANADIANS EXPRESSED CONCERN THAT EC MEASURES WOULD LEAD TO A DIVERSION OF STEEL INTO CANADA AND ALSO THAT, FOR SOME STEEL PRODUCTS, CANADIAN FIRMS ARE COMPETITIVE AND COULD SHIP INTO THE EC MARKET BELOW THE BASE PRICE. THE QUESTION OF A POSSIBLE BILATERAL AGREEMENT AS PART OF THE EC PHASE II OPERATION ON STEEL

WAS LEFT OPEN. THE COMMISSION INDICATED IT WOULD NOT  
SEEK A BILATERAL BUT WOULD BE WILLING TO DISCUSS ONE  
IF CANADA WERE INTERESTED.

7. TEXTILES - CANADA INDICATED THAT IT WOULD NEED AT  
LEAST THE NEXT SIX MONTHS TO NEGOTIATE BILATERAL  
RESTRAINT AGREEMENTS WITH TEXTILE EXPORTERS AND THAT IT  
WOULD NOT DECIDE WHETHER TO ADHERE TO THE MULTI-FIBER  
AGREEMENT UNTIL AFTERWARDS.

8. EXPORT CREDITS - CANADIAN SOURCES TELL US THAT THEY  
TOOK AN EVEN STRONGER LINE THAN THE USG IN URGING EC  
ADHERENCE TO AN IMPROVED CONSENSUS, WITH HIGHER INTEREST  
RATES AND GREATER DISCIPLINE.  
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9. AGRICULTURE - EC SIDE REVIEWED ITS POSITIONS ON A

NUMBER OF AGRICULTURAL QUESTIONS AND, ACCORDING TO CANADIANS, EXPRESSED SOME UNHAPPINESS WITH ROLE US HAD PLAYED WITH RESPECT TO FEED GRAINS AT LAST LONDON IWC MEETING. CANADA ALSO ARGUED THAT EC BARLEY MALT RESTITUTIONS ARE DISRUPTING WORLD MARKET AND ASKED EC TO LOOK INTO LEVEL OF ITS RESTITUTIONS ON CHEESE TO CANADA. CANADIANS CLAIM THAT RECENT INCREASES, PARTICULARLY ON GOUDA, ARE HIGHER THAN WOULD BE JUSTIFIED BY MONETARY FLUCTUATIONS AND ARE DISRUPTING CANADIAN MARKET.

10. THERE WERE ALSO GENERAL DISCUSSIONS ON NORTH/SOUTH RELATIONS AND ENERGY QUESTIONS. CANADIAN SIDE ALSO BRIEFED COMMISSION ON THE US-CANADA GAS SWAP AGREEMENT WORKED OUT DURING RECENT VISIT OF VICE PRESIDENT MONDALE LIMITED OFFICIAL USE

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(MISSION WOULD APPRECIATE ANY AVILABLE REPORTING ON THIS SUBJECT). HINTON

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## Message Attributes

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Sheryl P. Walter  
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